

**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: JUN 29 2007

SUBJECT: Fiscal Impact Statement: "Viatical Settlements Licensing Act of 2007"

REFERENCE: Draft Resolution to be Introduced – Number Not Available

Conclusion

Funds are sufficient in the FY 2007 and the FY 2008 through FY 2011 budget and financial plan to implement the provisions of the proposed approval legislation. No additional staff or resources will be required to implement the Bill's provisions.

Background

The proposed legislation authorizes the regulation of persons and entities other than the owners of life insurance policies that offer Viatical Settlement Contracts. The proposed legislation will be administered by the District Department of Insurance, Securities and Banking to regulate companies that receive remuneration for engaging in Viatical Settlement Contracts in the District of Columbia. False advertising and fraud prevention are addressed by the Bill's provisions.

A viatical settlement is the sale of a life insurance policy by the policy owner before the policy matures. Such a sale, at a price discounted from the face amount of the policy but usually in excess of the premiums paid or current cash surrender value, provides the seller an immediate cash settlement. Generally, viatical settlements involve insured individuals with a life expectancy of less than two years. From the perspective of the investor, purchasing a viatical settlement is similar to buying a type of bond with a negative coupon and an uncertain redemption date. The return depends on the seller's life expectancy and when he or she expires.

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Financial Plan Impact

Funds are sufficient in the FY 2007 budget and the proposed FY 2008 through FY 2011 budget and financial plan to implement the proposed resolution. No additional staff or resource will be required.